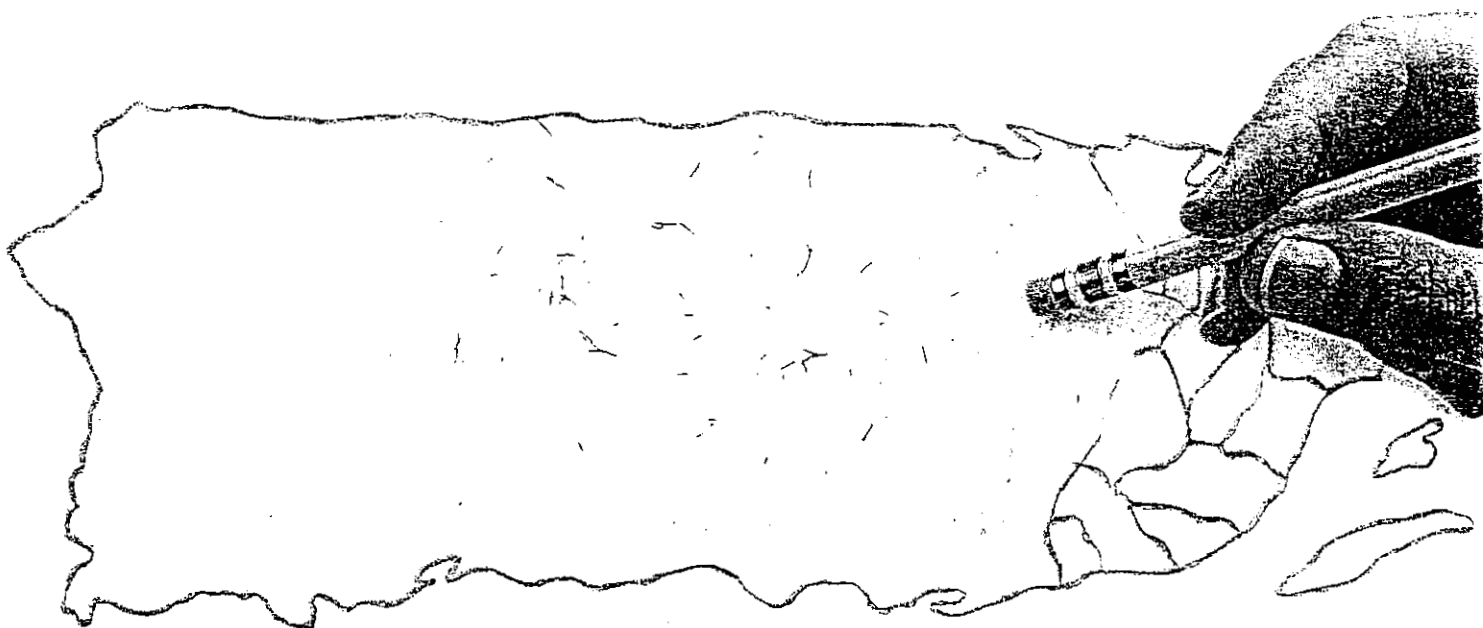


A partir del 1^{ro} de julio, PRT eliminará la larga distancia entre pueblos.



Puerto Rico será una sola zona de llamadas.

- Llamar de pueblo a pueblo será una llamada local.
- Todos tendrán acceso a los mismos planes de llamadas: Planes por Minutos o Planes Ilimitados.
- Casi un millón de familias puertorriqueñas podrán acogerse, a partir del 1^{ro} de mayo, al Subsidio de Servicio Telefónico que les beneficiará en su renta básica mensual y en los cargos de instalación.*

Nuestra misión va más allá de traer el futuro de la telefonía a nuestra Isla. Es hacer todo lo que esté a nuestro alcance por responder a nuestro desarrollo como pueblo.

TODO POR RESPONDERTE **PRT**
Puerto Rico Telefonos

www.telefonica.pr.com

B

EXHIBIT B

Selling PRT shares on open market is one option for government

BY MICHELLE KANTROW VAZQUEZ
mkantrow@sanjuanstarmedia.net
OF THE STAR Staff

The Acevedo Vilá administration has the option of selling its remaining shares in Puerto Rico Telephone in the open market, giving island residents the opportunity to buy into the company, several industry sources told The STAR on Tuesday.

The alternative was first mentioned when the Rosselló administration sold PRT to the consortium made up by Verizon Communications and Popular Inc. in March 1999.

"What the government wanted to do when it finally pulled out was to somehow make it possible for the people of Puerto Rico to buy participation in the PRT," said a source who had the inside track on the sale consummated six years ago.

The deal drew some \$2.25 billion into the public coffers, which were destined directly for the troubled Commonwealth Retirement System.

Going to the general market with PRT shares would generate a lot of good will for the government.

"The government could exercise that option, but it is obviously easier to sell its participation to a single party," the source said.

Former Telecommunications Regulatory Board President Phoebe Forsythe Isaacs said that selling stock to the general public would "give people some type of vote in the need to improve the company."

Proceeds to shore up pension plan

During a news conference Tuesday, Acevedo Vilá confirmed that his administration is looking to get out of the company, saying several options are being evaluated. However, he denied allegations that the government wanted to sell its 28 percent stake to balance the budget.

"The analysis being made by the Government Development Bank is if it is time to sell," said Acevedo Vilá. "What interests us is making sure the retirement system is in stable condition."

"So what is being evaluated is if it's best to keep the stock or sell it and invest that money in the retirement system," he said. "This has nothing to do with balancing the government's budget."

The original privatization agreement stipulated that any proceeds the government generated from subsequent stock sales had to go straight into the retirement system, which has an actuarial deficit of close to \$12 billion.

"As you all know, [the Retirement System] is another entity that could be left without funds to pay the pensions of thousands, if we don't act soon," the governor said.

Ironically, during his time in the Legislature in the late 1990s, Acevedo Vilá was among a group of representatives who opposed the PRT sale.

On Saturday, The STAR broke the news about the government's intention to sell its 28 percent minority stake in PRT. Talks began about a month ago, and Verizon and Popular Inc. seem to be the likely candidates to buy.



Gov. Acevedo Vilá greets student David Soto Rivera during a Tuesday activity at the Education Department.

Although there are no concrete numbers yet, it is believed that the government could fetch between \$350 million and \$500 million for the sale.

If the government decided to sell, it would not be required to seek approval from the Legislature, as it would be a decision solely up to the GDB. "The government has all the right in the world to sell its part. What it does not have the right to do is sell to fix the deficit," said another source with knowledge of the deal, who said it was never the government's intention to retain its participation in PRT for more than three years.

"From day one, it was said that the government's involvement in PRT was for a limited time after the sale. It has lasted longer than originally expected," said the source.

If a sale were to occur, it would be the second time in a little more than three years that the government turned to its stake in PRT for money.

In January 2002, Verizon and Popular Inc. acquired an additional 12 percent and 3 percent

interest in the company, respectively, from the government's portion. Verizon and Popular Inc. paid the government a combined \$172 million in cash for an additional 3.7 million shares.

As a result, Verizon now owns 52 percent, the government owns 28 percent, Popular owns 13 percent and PRT employees own the remaining 7 percent of the company's capital stock.

"Since we are a minority we can't make an impact in public policy determinations. Basically the decisions are made by the private companies as they are the main owners of the company," Acevedo Vilá said.

Neither PRT nor Popular Inc. officials had any comment Tuesday on the government's plans. Consequently, it remains unclear whether Popular Inc. will need to get permission from regulatory agencies, including the Federal Deposit Insurance Corp., to buy additional shares. The financial institution had to gain approval in 2002 when it increased its participation in PRT.

Staff writer Maria Miranda contributed to this report.

Trinidad

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NEGOCIOS/115

miércoles, 1 de junio de 2005 / EL NUEVO DÍA

Posible venta de acciones

Por Yanira Hernández Cabiya

yhernandez@elnuevodia.com

EL PRESIDENTE del Banco Gubernamental de Fomento (BGF), William Lockwood Benet evalúa la posibilidad de vender las acciones minoritarias del Gobierno en la Compañía Telefónica de Puerto Rico (PRT, por sus siglas en inglés) para ayudar a subsanar la precaria situación del Sistema de Retiro, admitió ayer el gobernador Aníbal Acevedo Vilá.

Sin embargo, Lockwood Benet indicó a El Nuevo Día que la prioridad sigue siendo "proceder con la emisión de bonos de \$2,000 millones", para mejorar la liquidez de Retiro.

"Como fase dos se puede buscar algo con el bloque de acciones del Gobierno en la Telefónica para darle más opciones a la cartera de Retiro del ELA", dijo Lockwood en entrevista telefónica.

Al momento de la venta de la PRT en 1998, durante la administración de Pedro Rosselló, se estableció por ley que el producto de las acciones que se mantenían en manos del Gobierno podría usarse para subsanar el déficit actuarial del Sistema de Retiro y para la atribulada Autoridad de Acueductos y Alcantarillados (AAA); por lo que según Acevedo Vilá, la venta de dichos activos no puede utilizarse para cuadrar el presupuesto del Gobierno, como ha sugerido la oposición.

Al presente, al igual que en 1998, las finanzas de la AAA y las del Sistema de Retiro continúan en rojo.

La evaluación principal gira en torno al valor en el mercado de las acciones del Gobierno para establecer si "desde el punto de vista de la salud fiscal de Retiro" si es más beneficioso, económicamente, mantenerse como accionista o venderlas "y poner en una mejor situación de liquidez al Sistema de Retiro" cuyo déficit se estima en \$11,240 millones.



William Lockwood dijo que se evalúa vender las acciones del Gobierno en la Compañía Telefónica de Puerto Rico (PRT).

SEGÚN LOCKWOOD Benet, las acciones del Gobierno en la PRTC tienen un valor en los libros de \$58 la acción.

Tras la venta de la PRT el Gobierno retuvo el 43% de las acciones de la compañía, GTE (ahora Verizon) y el Banco Popular poco más del 50% y el 7% quedó en manos del plan de opciones de acciones de los empleados.

En el 2002, bajo la administración de Sila Calderón, se vendió el 15% de las acciones del Gobierno al precio preacordado en la compraventa original de la PRT por GTE. Los \$172 millones obtenidos en esa venta de acciones se usaron para la AAA.

El Gobierno aún controla el 28% de las acciones.

acciones del Gobierno en la PRT, el dinero se
ter la precaria situación del Sistema de Retiro.

EXHIBIT C



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March 29, 2005

Nancy J. Victory
202.719.7344
nvictory@wrf.com

Mr. Jeffrey Carlisle
Chief, Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, Southwest
Washington, D.C. 20554

Dear Mr. Carlisle:

We wish to express our thanks for taking the time to again meet with Puerto Rico Telephone Company ("PRT") to discuss the pressing need for the Federal Communications Commission ("FCC") to adopt a universal service mechanism directed at non-rural insular areas. This letter provides you with additional information further detailing the conditions in Puerto Rico warranting prompt restoration of high-cost funding as well as responds to the specific questions raised in our meeting. As detailed below, this funding is crucial to the success of the company's ongoing efforts to expand subscribership and maintain affordable rates in Puerto Rico.

Subscribership in Puerto Rico

PRT is the only incumbent local exchange carrier in Puerto Rico. Although total subscribership data from all carriers on the island are not available, the percentage of subscribers that PRT serves – 70 percent as compared to a national average penetration total of 94.2 percent – is likely very close to total subscribership on the island.⁴

Based on the conditions in Puerto Rico, it is highly unlikely that more than a very small percentage of households subscribe to a wireline or wireless competitive carrier in place of PRT. This is based on the fact that the areas in which PRT's subscribership levels are particularly low – those areas requiring network build-out and low-income residential and rural communities – are also areas in which competitors, wireline and wireless, lack facilities.

PRT's sole major facilities-based wireline competitor is focused on the business market and new commercial and residential development. Likewise, wireless carriers, including PRT's affiliated wireless provider, have the same difficulties as

⁴ The FCC's subscribership reports and wireless competition reports do not provide granular data or analysis of such conditions in Puerto Rico. This data are also not publicly available from other resources of which we are aware.

Mr. Jeffrey Carlisle

March 29, 2005

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PRT does serving remote areas – due to the lack of basic infrastructure and the inhospitable terrain on the island. Further, consistent with conditions on the mainland, wireless service remains largely a complementary service in Puerto Rico.

Overall, PRT estimates that 200,000 households in approximately 200 remote communities have no access to any telecommunications infrastructure, this represents approximately 14.5 percent of all households on the island (200,000 out of 1.369 million). The total penetration rate in Puerto Rico – even assuming a very high and unlikely percentage of households subscribing to alternative providers – would still be significantly below the national average, and significantly below the mainland state with the lowest penetration rate, Arkansas (88 percent).

Conditions in Puerto Rico

Puerto Rico's economic conditions create significant challenges to providing affordable telecommunications to all of its citizens. The difficulties in operating and serving Puerto Rico are attributable, in part, to the dichotomy between very low incomes and very high costs of living and to provide service.

The high costs on the island are due to the need to ship all materials to the island, the corrosive nature of the environment, and unpredictable and sometimes destructive tropical weather conditions. For instance, Hurricane Jeanne caused over \$11.5 million in damage to PRT facilities alone in 2004. The inadequate basic infrastructure in some areas, including the lack of passable roads and electricity, further complicate efforts to provide telecommunications services. The need to install and maintain transmission facilities in rough, hilly terrain with heavy vegetation also increases significantly the cost to provide service.

Updated 2003 data reveal that Puerto Rico still lags substantially behind the mainland with respect to average incomes. Puerto Rico's average income (\$16,800) is only half the national average (\$34,459), and two-thirds that of the poorest U.S. state, Mississippi (\$23,343).⁵ In combination, these conditions make the construction and maintenance of telephone infrastructure more costly but make it infeasible for PRT to recover these increased costs from its subscribers.

⁵ See, e.g., U.S. Bureau of Economic Analysis; http://www.bea.doc.gov/bea/dn/nipaweb/nipa_underlying/Index.asp; CIA World Factbook, <http://www.cia.gov/cia/publications/factbook/geos/rq.html>

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Universal Service Funding to Puerto Rico

PRT is projected to receive \$0 in high-cost loop support in 2005. The majority of high-cost carriers on the mainland receive both loop support and access support (either Interstate Common Line Support (ICLS) or Interstate Access Support), but PRT will only receive access support in 2005: approximately \$71.5 million in ICLS funding that offsets its substantial costs of providing interstate access services in Puerto Rico. These funds are vital to ensuring that access costs and interexchange service in Puerto Rico remain affordable. ICLS funds do not, however, provide any support to counteract the considerable intrastate loop costs in Puerto Rico. Receipt of support under one component of the universal service program bears no relation on a carrier's eligibility or need for support under different components of the universal service fund.

Similarly, Lifeline support, which provides direct subsidies to end-users to offset the monthly cost of telephone service, is a separate universal service program that is not, nor was it ever intended to be, a stand-alone solution to subscribership and affordability concerns. Because it is a direct pass through to consumers, PRT itself receives \$0 Lifeline support. Lifeline support does not provide any funding to ensure that PRT has the resources necessary to build out the network to unserved communities, or to upgrade and maintain existing network facilities. Approximately 26 percent of eligible households in Puerto Rico (107,000 out of approximate 400,000 eligible households) currently participate in the FCC's Lifeline program. This is consistent with the national average for Lifeline participation (33.7 percent), and significantly higher than the participation rates in many poor mainland states: Mississippi 6.9 percent, Wyoming 7.2 percent. *See Lifeline and Link Up*, Report and Order and Further Notice of Proposed Rulemaking, FCC 04-87, Appendix K (Apr. 29, 2004).

Non-Rural Mechanism's Impact on Puerto Rico

Under the FCC's traditional high-cost loop funding policies, Puerto Rico used to receive as much as \$51 million in annual funding, the second highest amount of any jurisdiction, based substantially on the disproportionately high cost of service in Puerto Rico. The FCC's adoption six years ago of a non-rural fund, coupled with the decision to force non-rural insular areas under this fund, eliminated all funding for Puerto Rico. The non-rural fund's forward-looking cost-based synthesis model – based on mainland input and assumptions – cannot accurately predict the

Mr. Jeffrey Carlisle
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Page 4

conditions or the costs associated with delivering service to a remote insular area like Puerto Rico. Indeed, the model does not even come close.

The disparity between reported costs and the costs projected by the synthesis model for Puerto Rico further underscore the inconsistent results of applying the model to insular areas. The model underestimates the actual embedded cost to provide service to Puerto Rico by more than 250 percent. Specifically, the synthesis model projects total PRT costs (combined study areas) of approximately \$359 million, yet ARMIS reports demonstrate that the actual embedded cost to provide service was approximately \$1.434 billion.⁶

The elimination of all high-cost loop funding to Puerto Rico is thus flatly inconsistent with real world conditions in Puerto Rico, and has resulted in stagnated, if not decreased, subscribership levels and capital expenditures in Puerto Rico.

PRT has proposed to the FCC on multiple occasions in multiple proceedings a targeted solution to remedy this oversight and address the dire situation in Puerto Rico. Specifically, PRT has proposed the adoption of a non-rural insular fund, similar to, but distinct from, the rural fund – Puerto Rico is the only non-rural insular area that is also high-cost. Further, this proposal would only restore minimal impact on the total size of the universal service fund, as it would only restore, not increase, previously received funding levels. What is more, this funding would directly benefit a population segment that clearly warrants federal aid.

Accordingly, we urge the Commission to move promptly to adopt PRT's proposal and to cure the exclusion of non-rural insular areas from universal service relief.

⁶ Compare Synthesis Model, Summary Column GB-GF to ARMIS Reports 4301, 4303. In addition, PRT is the *only* carrier for which the total lines projected by the synthesis model are *lower* than the total lines reported by carriers in the 2002 ARMIS reports. PRT reported 1.29 million lines, yet the synthesis model projected only 1.09 million lines. Compare synthesis model, Summary Tab, Column B with 2002 ARMIS Reports, 4301, Table 2, Line 2150.

Wiley Rein & Fielding LLP

Mr. Jeffrey Carlisle
March 29, 2005
Page 5

Such action is crucial to ensure that all Americans have access to affordable telephone service as promised in the Telecommunications Act.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nancy J. Victory".

Nancy J. Victory

cc Cathy Carpino
Narda Jones
Richard Lerner
Lisa Gelb
Jeremy Marcus
Katie King

EXHIBIT D

BASIC SERVICES TARIFF SCHEDULE (Cont.)

SECTION 15 – LOCAL SERVICE

15.1 General

- 15.1.1 Local Service provides a Customer the ability to originate calls to all other stations on the public switched telephone network within Puerto Rico.
- 15.1.2 Local calls under Sections 15.2.1(B) and 15.3 below will be billed on a per minute basis, rounding fraction of minutes to full minutes.
- 15.1.3 The following types of calls do not qualify for inclusion in the monthly allowance of minutes under Sections 15.2.1(B) and 15.3 below: directory assistance (411), Infovoz (511), 911 and inmate public phones. Directory assistance calls will be charged according to Basic Service Tariff Schedule, Section 14, Directory Assistance of this Tariff Book. For the other services corresponding charges will apply.

15.2 Rates

15.2.1 Residential Customers

(A) Flat Rate Service

- (1) Provides Customers with unlimited local calls.
- (2) A Monthly Recurring Charge (MRC) of \$26.45 would be billed for each Residential Main Line and Main Station.

(B) Measured Rate Service

- (1) Residential Customers will have a monthly allowance of 100 minutes per line for local calls.
- (2) If the monthly allowance of 100 minutes is not reached, unused minutes will not be transferable to the next month.
- (3) If the monthly allowance of 100 minutes is exceeded, additional minutes are billed at \$0.03.
- (4) A MRC of \$16.95 would be billed for each Residential Main Line and Main Station.

- (C) Customers may contact the Company prior to the effective date of this tariff to select their tariff (Flat Rate Service or Measured Rate Service). Customers that do not contact the Company prior to the effective date of this tariff will be automatically subscribed to one of the services based on the following:

(N)

(N)

Issued: April 6, 2005

TR-128
Effective: July 1, 2005

Puerto Rico Telephone Company, Inc.
PO Box 360998
San Juan, PR 00936-0998

BASIC SERVICES TARIFF SCHEDULE (Cont.)

SECTION 15 – LOCAL SERVICE (Cont.)

(N)

15.2 Rates (Cont.)

15.2.1 Residential Customers (Cont.)

(C) Customer may Contact the Company (Cont.)

(1) Customers subscribed to Flat Rate in Local Exchange Service Areas of 40,001 Main Stations in Service and Over plans as of the effective date of this tariff will be automatically transferred to the Flat Rate Service in 15.2.1(A) above.

(2) Customers subscribed to Flat Rate Local Exchange Service Areas of 40,000 or Less Main Stations in Service and to Measured Service in all Local Exchange Service Areas as of the effective date of this tariff will be automatically transferred to the Measured Rate Service in 15.2.1(B) above

(D) The non-recurring charge for Change in Type of Service, Measured Rate to Flat Rate or vice-versa, as specified in Basic Services Tariff Schedule, Section 10, Non-Recurring Charges for Basic Services, would not apply for the first change for a period of three (3) months beginning as of the effective date of this tariff.

15.2.2 Business Customers

(A) Business Customers will have a monthly allowance of 300 minutes per line for local calls.

(B) If the monthly allowance of 300 minutes is not reached, unused minutes will not be transferable to the next month.

(C) If the monthly allowance of 300 minutes is exceeded, additional minutes are billed at \$0.03.

(D) A MRC of \$39.95 would be billed for each Business Main Station, Main Line and Trunk.

15.3 Special Conditions

15.3.1 Service under these rates will be provided outside the Base Rate Areas and within the Exchange Areas at the above rates and at a per-kilometer rate as specified in Basic Services Tariff Schedule, Section 9, Kilometer Rates, preceding.

(N)

EXHIBIT E

Local Telephone Competition: Status as of December 31, 2004

Industry Analysis and Technology Division
Wireline Competition Bureau
July 2005



This report is available for reference in the FCC's Reference Information Center, Courtyard Level, 445 12th Street, SW, Washington, DC. Copies may be purchased by contacting Best Copy and Printing, Inc., 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone (800) 378-3160, or via their website at www.bcpweb.com. The report can also be downloaded from the **FCC-State Link** Internet site at www.fcc.gov/wcb/stats.

Local Telephone Competition: Status as of December 31, 2004

We present here summary statistics of the latest data on local telephone service competition in the United States as reported in the Commission's local competition and broadband data gathering program (FCC Form 477).¹ The summary statistics provide a snapshot of local telephone service competition based on switched access lines in service and state-specific mobile wireless telephone subscribership as of December 31, 2004.²

Based on the latest information now available, readers can draw the following broad conclusions:

- Competitive local exchange carriers (CLECs) reported 32.9 million (or 18.5%) of the approximately 177.9 million nationwide end-user switched access lines in service at the end of December 2004, compared to 32.0 million (or 17.8% of nationwide lines) in June 2004.³ This represents a 3% growth in CLEC market size during the second half of 2004. See Table 1.
- End-user customers obtained local telephone service by utilizing approximately 145.1 million incumbent local exchange carrier (ILEC) switched access lines, 32.9 million competitive local exchange carrier (CLEC) switched access lines, and 181.1 million mobile wireless telephone service subscriptions. See Tables 1 and 13.

¹ *Local Competition and Broadband Reporting*, CC Docket No. 99-301, Report and Order, 15 FCC Rcd 7717 (2000) (*Data Gathering Order*). During this data gathering program, qualifying providers file FCC Form 477 each year on March 1 (reporting data for the preceding December 31) and September 1 (reporting data for June 30 of the same year). Qualification status is determined separately for each state. If a carrier, or its holding company, has at least 10,000 local telephone connections in service in a state, it must file local telephone data for that state. An updated FCC Form 477, and instructions for that particular form, for each specific round of the data collection may be downloaded from the FCC Forms website at www.fcc.gov/formpage.html. We note that the Commission recently issued an Order that eliminated reporting thresholds. See *Local Telephone Competition and Broadband Reporting*, WC Docket No. 04-141, Report and Order, FCC 04-266 (rel. Nov. 12, 2004). Accordingly, beginning in September, 2005, data reported pursuant to Form 477 will not include thresholds.

² Statistical summaries of the earlier Form 477 data collections appeared in previous releases of the *Local Telephone Competition* report, available at www.fcc.gov/wcb/iatd/comp.html.

³ Total numbers reported by ILECs filing FCC Form 477 may be slightly understated because smaller carriers are not required to report data. However, as the reporting ILECs account for about 98% of all ILEC lines, the understatement should not be large. (All ILECs, whether or not they normally report to the FCC, provide data on the number of telephone lines served to the National Exchange Carrier Association for use in conjunction with the Commission's universal service mechanism.) We are less certain about the extent to which comparable lines as reported by CLECs are understated as a result of the state-specific reporting threshold, but we expect such understatement to be larger, on a percentage basis, than for ILECs.

- 60% of switched access lines in service to CLEC end users served residential and small business customers whereas 77% of switched access lines in service to ILEC end users served residential and small business customers.⁴ See Table 2.
- CLECs reported providing about 26% of switched access lines over their own local loop facilities.⁵ To serve the remainder, CLECs resold the services of other carriers or used unbundled network element (UNE) loops that they leased from other carriers.⁶ See Table 3.
- The number of switched access lines that CLECs report provisioning by reselling services increased by 10% during the six months ending December 31, 2004, to 16% of total CLEC switched access lines, and the number of CLEC switched access lines provisioned over UNE loops decreased by 3%, to 58% of total CLEC switched access lines. See Table 3, and for data reported for individual states, see Table 10. For historical data for individual states, see Tables 17 and 18.
- ILECs reported providing about 1.5 million switched access lines to unaffiliated carriers on a resale basis at the end of December 2004, down from 1.6 million six months earlier. They reported providing 20.7 million unbundled loops (with or without unbundled switching) to unaffiliated carriers, down from 21.4 million six months earlier.⁷ See Table 4.

⁴ In the local telephone section of FCC Form 477, the switched access lines in service to the carrier's own end-user customers that are reported to be "used for residential and small business service" should be those lines that connect to customer locations for which the reporting carrier bills fewer than four (4) voice-grade equivalent lines used for local exchange service. If this information is not available, the carrier may use tariffs or marketing information to report an estimate that it reasonably expects to be accurate within plus or minus five percentage points of the true number.

⁵ A reporting carrier should own the "last mile" of wire, cable, or optical fiber that connects to the end-user premises (or have obtained radio spectrum for the equivalent fixed wireless facility) if it reports providing the local telephone line over its own facilities. In general, local exchange and exchange access lines provisioned over facilities (other than dark fiber) and services obtained from another carrier are not the reporting carrier's "own facilities" for purposes of FCC Form 477, irrespective of whether those facilities or services are obtained under interconnection arrangements, under tariff, or by other means. In particular, owning the switch that provides dialtone (and other services) over a UNE loop leased from another carrier does not qualify a line as being provisioned over the reporting carrier's own facilities.

⁶ From CLECs, FCC Form 477 collects information on the percentage of the CLEC's switched access lines provided over "UNE loops." For purposes of FCC Form 477, this term includes UNE loops leased from an unaffiliated carrier on a stand-alone basis and also UNE loops leased in combination with UNE switching or any other unbundled network element.

⁷ The reported number of UNE loops provided without ILEC switching in Table 4 includes some UNE loops that ILECs supply to DSL-service providers that do not also provide local telephone service. Because no local telephone service is provided by means of such UNE loops, they are not included in the end-user local telephone lines reported by CLECs.

- ILECs reported providing about 3% fewer UNE loops with switching (referred to as the UNE-Platform) to unaffiliated carriers at the end of December 2004 than they reported six months earlier (16.5 million compared to 17.1 million) and about 3% fewer loops without switching (about 4.2 million). See Table 4.
- Local telephone service by CLECs was provided over 3.7 million coaxial cable connections at the end of December 2004. These lines represent about 44% of the 8.5 million switched access lines that CLECs reported providing over their own local loop facilities, about 11% of all switched access lines that CLECs reported, about 19% of CLEC lines to residential and small business end users, about 2% of total switched access lines, and about 3% of total lines to residential and small business end users. See Table 5.
- The Commission's data collection program collates information about CLEC local telephone service lines (and the CLEC share of total local telephone service lines) in individual states. Relatively large numbers of CLEC lines are associated with the more populous states.⁸ With respect to the calculated CLEC share of switched access lines in service, however, some less populous states, such as Nebraska, New Hampshire, Rhode Island, and Utah had larger CLEC shares than some more populous states, such as California, Florida, and Ohio, as of December 2004. See Tables 6 - 9.⁹
- At least one CLEC reported switched access lines in service in all 50 states, the District of Columbia, and Puerto Rico.¹⁰ In 31 states, ten or more CLECs reported serving local telephone service customers. See Table 12.
- The 76 providers of mobile wireless telephone services that reported information served about 181.1 million subscribers at the end of December 2004.¹¹ About 9% of these subscribers received their service via a reseller of mobile wireless telephone service. See Table 13.

⁸ The largest numbers of CLEC lines are reported for California, the most populous state, followed by New York and Texas, the third and second most populous states, respectively.

⁹ CLEC shares appearing in Table 7 are based on CLEC and ILEC lines in Tables 8 and 9.

¹⁰ Under section 3(40) of the Communications Act, the term *state* "includes the District of Columbia and the Territories and possessions." 47 U.S.C. §153(40). We note that carriers that have fewer than 10,000 local telephone lines in service in a state were not required to report those lines on FCC Form 477, but may file the data on a voluntary basis. There were 36 voluntary ILEC filings and 87 voluntary CLEC filings of state-specific data as of December 31, 2004. In the course of our eleven data collections to date, the number of voluntary ILEC filings has varied between 7 and 37, and the number of voluntary CLEC filings has varied between 13 and 87.

¹¹ Facilities-based providers with fewer than 10,000 mobile wireless telephone service subscribers in a state (measured by revenue-generating handsets in service) were not required to report. A facilities-based mobile wireless telephone service provider serves subscribers using spectrum licenses that it has obtained or manages.

- The Commission's data collection program requires CLECs and ILECs to identify each zip code in which the carrier provides local telephone service to at least one end-user customer.¹² As of December 31, 2004, at least one CLEC was serving customers in 78% of the nation's zip codes. About 97% of United States households resided in these zip codes. Moreover, multiple carriers reported providing local telephone service in the major population centers of the country. See Table 14, Table 15, and the map that follows Table 18.

As other information from FCC Form 477 becomes available, it will be routinely posted on the Commission's Internet site. We invite users of the information presented in this statistical summary to provide suggestions for improved data collection and analysis by:

- Using the attached customer response form,
- E-mailing comments to James.Eisner@fcc.gov,
- Calling the Industry Analysis and Technology Division of the Wireline Competition Bureau at (202) 418-0940, or
- Participating in any formal proceedings undertaken by the Commission to solicit comments for improvement of FCC Form 477.

¹² CLECs and ILECs were required to report, for states in which they have at least 10,000 local telephone lines in service, lists of zip codes where they have subscribers. Providers of mobile wireless telephone service do not report zip codes.

Table 1
End-User Switched Access Lines Reported

Date	ILEC Lines	CLEC Lines	Total	CLEC Share
December 1999	181,307,695	8,194,243	189,501,938	4.3 %
June 2000	179,761,930	11,557,381	191,319,311	6.0
December 2000	177,641,529	14,871,409	192,512,938	7.7
June 2001	174,861,248	17,274,727	192,135,975	9.0
December 2001	172,043,582	19,653,441	191,697,023	10.3
June 2002	167,472,318	21,644,928	189,117,246	11.4
December 2002	164,526,149	24,863,691	189,389,840	13.1
June 2003	158,386,821	26,985,345	185,372,166	14.6
December 2003	153,266,932	29,775,438	183,042,370	16.3
June 2004	148,103,506	32,033,915	180,137,421	17.8
December 2004	145,055,087	32,891,892	177,946,979	18.5

Note: Data for June 2004 have been revised.

Chart 1
End-User Switched Access Lines Reported
(Lines in Millions)

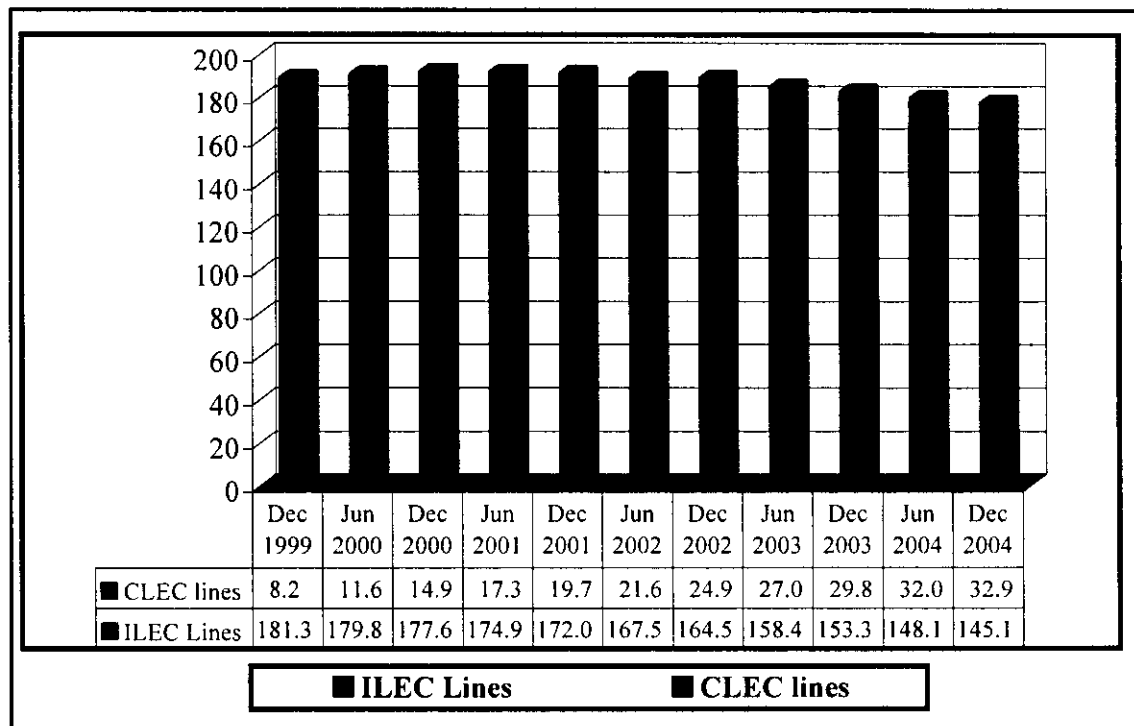


Table 2
End-User Switched Access Lines by Customer Type

Date	Reporting ILECs			Reporting CLECs		
	Residential and Small Business	Other ¹	% Residential and Small Business	Residential and Small Business	Other ¹	% Residential and Small Business
December 1999	139,758,434	41,549,261	77.1 %	3,368,702	4,825,541	41.1 %
June 2000	140,635,199	39,126,731	78.2	4,579,501	6,977,880	39.6
December 2000	138,872,415	38,769,114	78.2	6,620,471	8,250,938	44.5
June 2001	134,618,062	40,243,186	77.0	7,793,071	9,481,656	45.1
December 2001	133,421,570	38,622,012	77.6	9,489,049	10,164,392	48.3
June 2002	131,051,178	36,421,140	78.3	11,080,676	10,564,252	51.2
December 2002	127,606,456	36,919,693	77.6	14,608,495	10,255,196	58.8
June 2003	122,663,356	35,723,465	77.4	16,770,561	10,214,784	62.1
December 2003	118,746,138	34,520,794	77.5	18,702,229	11,073,209	62.8
June 2004	114,621,599	33,481,907	77.4	20,871,756	11,162,159	65.2
December 2004	112,246,949	32,808,138	77.4	19,812,922	13,078,970	60.2

Note: Data for June 2004 have been revised.

¹ Medium and large business, institutional, and government customers.

Chart 2
Percent of Lines that Serve Residential and Small Business Customers

